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A Statistical Investigation of Mortgage Foreclosures by County in Florida

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Abstract

The U.S. mortgage crisis was a nationwide banking emergency that coincided with the U.S. recession of December 2007 – June 2009. The resulting fall-out of the crisis was immediate and long-lasting, with financial institutions and their borrowers being severely impacted. The focus of this paper is on the mortgage borrowers whose properties went into foreclosure. There is much conjecture as to what was, and what still is, to blame for the high foreclosure rates observed over the last eight years. This paper presents the results of an investigation to determine a list of variables that could help explain foreclosure rates by county in the state of Florida. Using data collected from Black Knight Financial Services Mortgage Monitor report, Census.gov, Florida County Health Rankings, Florida Housing Data, Bureau of Labor Statistics and Florida Department of Law Enforcement, a regression model was developed. The final version of this model explained approximately 50% of the variability in foreclosures. It was determined that median household income and the amount of negative equity are the primary determinants of county foreclosure rates in Florida. This result suggests that the seller (mortgage industry) and buyer (borrower) must take into consideration a prospective borrower's income, as well as forecasting the likelihood that property prices will change in such a way as to result in negative equity when predicting foreclosure.